

A.I.D. Project No. 621-0166  
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Dollar Appropriation No. 72-111/21014  
Budget Plan Code: GSSI-91-31621-KG-39  
Reservation Control No. T916036  
Program Grant Agreement No. 88-01  
Amendment No. 04

FUNDS AVAILABLE

Office of the Controller A.I.D.

Date:

9/24/91

09/24-91

FOURTH AMENDMENT TO PROGRAM GRANT AGREEMENT  
FOR  
AGRICULTURAL TRANSPORT ASSISTANCE PROGRAM

Dated: September 25, 1991

Between

The United Republic of Tanzania (hereinafter referred to as the "Grantee")

and

The United States of America, acting through the Agency for International Development ("A.I.D.").

Purpose of Amendment

This Fourth Amendment to the above named Program Grant Agreement dated August 30, 1991 is hereby entered into between the Parties above named to grant the Grantee additional United States ("U.S.") Dollars under this Program, to specify the conditions precedent to the disbursement of such dollars, to add certain covenants, to extend the terminal date for requesting disbursements, and to make such other changes as specified below. Article and Section numbers specified herein refer to the provisions of the Third Amendment and Restatement of Program Grant Agreement dated August 30, 1991 between the Parties.

Article 1: The Grant:

In order to implement the Program described below, A.I.D. pursuant to the United States Foreign Assistance Act of 1961, as amended, hereby grants to the Government of the United Republic of Tanzania under the terms of this Agreement an additional amount of Seventeen Million Five Hundred Ninety Thousand United States Dollars (U.S. \$17,590,000). The total amount of the Grant is now Twenty Eight Million U.S. Dollars (U.S. \$28,000,000), which comprises the U.S. \$10,410,000 obligated by the Third Amendment and Restatement of Program Grant Agreement dated August 30, 1991 and the additional U.S. \$17,590,000 obligated by this Fourth Amendment.

Article 2: The Program:

Article 2 "The Program," is hereby deleted in its entirety and the following substituted in its stead:

"The Program, which is further described in Annex 1 attached hereto, will consist of assistance to the Grantee in the form of cash disbursements to support the removal of policy and institutional constraints in order to improve the Tanzanian Government's capacity to undertake road rehabilitation and maintenance programs. Within the limits of the above definition of the Program, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.9 without formal amendment of this Agreement."

Article 3: Conditions Precedent to Disbursement:

Article 3, "Conditions Precedent to Disbursement", is hereby deleted and the following substituted in its stead.

"Section 3.1 Conditions Precedent to First and Second Tranches. All conditions precedent to release of the first and second tranches, which totalled \$10,410,000, have been met, as specified in the Third Amendment and Restatement of Program Grant Agreement.

"Section 3.2 Conditions Precedent to Release of Third Tranche.

The parties hereby agree that a third tranche, in the amount of Five Million U.S. Dollars (U.S. \$5,000,000), will be disbursed on the basis of actions already taken by the Grantee toward implementation of the Program. The MOW during the last year has drafted a Sustainability Analysis, developed a road maintenance management system, approved a draft construction industry strategy, adopted a set of interim procurement regulations and formulated a training program. Therefore, the only condition precedent to disbursement of the third tranche is the receipt by A.I.D. of a duly completed financing request in form and substance satisfactory to A.I.D.

"Section 3.3 Conditions Precedent to Fourth Tranche.

Except as A.I.D. may otherwise agree in writing, prior to disbursement of the fourth tranche under the Grant, which shall be in the amount of Twelve Million, Five Hundred Ninety Thousand (\$12,590,000) Dollars, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Grantee shall furnish or have furnished to A.I.D., in form and substance satisfactory to A.I.D.:

- (a) evidence that the Ministry of Works ("MOW") has adopted the Sustainability Analysis it has prepared in-house as the principal strategy document for the rural road sector;
- (b) evidence that the MOW has developed economic criteria for prioritizing rehabilitation and maintenance activities;
- (c) evidence that the MOW has designated 4,000 kms of rural roads in the five regions of Kilimanjaro, Shinyanga, Mwanza, Ruvuma and Iringa for priority routine maintenance and 400 kms of rural roads in such regions for priority periodic maintenance;
- (d) evidence that the MOW has executed contracts to be funded from its own resources (which excludes local currencies generated by donor supported programs) of at least the shilling equivalent of U.S. \$900,000 for routine maintenance and at least U.S. \$600,000 for periodic maintenance in the five regions specified in paragraph (c) above.
- (e) evidence that fifty percent of the shilling volume of periodic maintenance contracts, and seventy-five percent of the shilling volume of rehabilitation contracts, in the five regions specified in paragraph (c) above have been awarded to private sector contractors; and
- (f) evidence that standard contracts for routine maintenance have been developed and approved by the MOW."

"Section 3.4 Notification. When A.I.D. has determined that all the conditions precedent specified in Section 3.2 and 3.3 have been met it will promptly notify the Grantee."

"Section 3.5 Prior Conditions Precedent: It shall be a continuing condition precedent to release of all tranches under the Program that Grantee shall have taken no action to materially impede or reverse any action taken in satisfaction of a condition precedent to any prior tranche."

#### Article 4: Grantee Resources for the Program:

Article 4 (b) of the Agreement is hereby deleted and the following substituted in its stead.

- "(b) The resources provided by Grantee for the Program will be not less than the equivalent of U.S. \$28,000,000 including costs borne on an "in kind" basis. These resources will include, but are not necessarily limited to, the funds to be deposited in the Special Account under Section 5.2."

Article 6: General covenants:

Two additional sections are hereby added to Article 6 which shall read as follows:

"Section 6.5. Professional Staffing Requirements:

The Grantee covenants that it shall, prior to disbursement of the fourth tranche:

- (a) add two engineers to the staff of the Rural Roads Department at headquarters;
- (b) assign road inspectors and accountants to field offices in Shinyanga, Mwanza and Kilimanjaro regions;
- (c) provide the staff incentives necessary to recruit the personnel necessary; and
- (d) adopt a training program in contract and road maintenance management for regional engineers"

"Section 6.6 Funding Options: The Grantee covenants that, prior to disbursement of the fourth tranche, it shall examine mechanisms such as fuel taxes to generate revenues from domestic sources to fund road maintenance expenses."

Article 7. Terminal Date for Disbursement:

Article 7, the Terminal Date for Disbursement is amended to provide that no disbursement shall be made after June 30, 1993, except as A.I.D. may otherwise agree in writing.

Article 8: Amplified Program Description:

Annex 1 attached to the Third Amendment and Restatement of Program Grant Agreement Grant Agreement is hereby deleted and replaced by Annex 1 attached hereto.

Other Terms and Conditions

Except as amended hereby, all terms and conditions of the Third Amendment and Restatement of Program Grant Agreement dated August 30, 1991 shall remain in full force and effect.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Fourth Amendment to Program Grant Agreement to be signed in their names and delivered as of the day and year first above written.

UNITED REPUBLIC OF TANZANIA

BY: 

NAME: Professor Simon Mbilinyi

TITLE: Principal Secretary

UNITED STATES OF AMERICA

BY: 

NAME: Dale B. Pfeiffer

TITLE: A.I.D. Director

Annex 1

AMPLIFIED PROGRAM DESCRIPTION

A. General Description.

The purpose of this Program is to allow the Grantee to improve its capacity to undertake road rehabilitation and maintenance programs by supporting removal of policy and institutional constraints. It shall function in essentially the same manner as the Transport Sector Policy Reform Program, for which a Program Agreement was first executed on September 21, 1987. However, the terms of this Program Grant Agreement, any amendment hereto, and any Program Implementation Letter issued under this Program will prevail in the event of a conflict with the instruments governing the Transport Sector Policy Reform Program.

The Program will involve a cash disbursement into a separate, non-commingled Special Dollar Account, against which letters of credit may be issued on behalf of approved applicants for import licenses, in accordance with regulations issued by the Bank of Tanzania and approved by USAID. The imports which can be financed under the Program are limited to those described in Part B below.

The Program also will involve deposits by importers into a Special Local Currency Account as a condition to issuance of the import licenses for particular transactions. The terms of the deposit requirements will be subject to regulations issued by the Bank of Tanzania and approved by USAID, provided that the amount of the aggregate deposits will not be less than that specified in Article 1 of the Program Agreement.

Funds in the Special Local Currency Account will be used only for the purposes specified in Part C below.

B. Dollar Uses.

U.S. dollar funds in the Special Dollar account shall be disbursed by the Grantee in favor of importers who hold approved foreign exchange allocations for transactions which satisfy the allocation criteria set forth below. The specific procedures and documentation to be used by the Grantee, and the degree of USAID involvement, in making disbursements to the Grantee will be agreed upon by the Grantee and A.I.D. prior to any disbursement from the Special Dollar Account.

Unless otherwise agreed by A.I.D., the U.S. dollar funds will be allocated only to:

Private and public sector entities for the import of:

- a. Construction equipment and spare parts required for road maintenance;
- b. Tires for pickups and trucks;
- c. Tools and equipment for road repair work including prefabricated bridge elements.
- d. raw materials for fabricating and reconditioning spare parts;
- e. Ancillary equipment permitting fuller or more efficient use of primary equipment (e.g., forklifts for loading trucks);
- f. raw materials for retreading tires (excluding rubber compounding chemicals and plasticizers);
- g. Capital equipment for retreading vehicle tires, manufacturing brake linings, machining vehicle parts or performing other similar operations on vehicular components or parts;
- h. Brake fluids and other essential lubricants;
- i. Pickups and trucks up to 17 ton category, spare parts for these pickups and trucks; and
- j. Such other items as may be mutually agreed upon by the Parties and specified in a Program Implementation Letter issued to the Grantee in accordance with Section 8.4 of this Agreement.

Private sector contractors who are awarded road rehabilitation contracts will be given priority in the allocation of grant funds for the importation of necessary equipment and spares. Unless otherwise agreed by A.I.D., transactions entered into prior to the date of signature of this Agreement will not be financed under this Agreement. No dollar funds granted under this Agreement will be allocated to any transaction which involves the procurement of goods and services at other than a fair and reasonable price for such goods and services. A.I.D. reserves the right to deny financing for any specific commodity or commodity-related service when, in its judgement, such financing would be inconsistent with the purposes of the Grant or of the U.S. Foreign Assistance Act of 1961, as amended.

All goods financed under the Program shall have their source and origin, and suppliers of services shall have their nationality, in A.I.D. Geographic Code 935 countries.

#### C. Local Currency Uses.

All currency of the Grantee generated from the allocation of Grant funds to public and private importers shall be deposited into the Special Local Currency Account. The amount of Shillings to be deposited shall be the Shilling equivalent to each U.S. Dollar allocation made to a public or private importer from the Special Dollar Account, determined by using the highest lawful rate of exchange of U.S. Dollars into Shillings which is available to any person, for any transaction in Tanzania, on the date on which deposits are made.

The Grantee shall use ninety-five (95%) of the local currencies to finance rural road maintenance, rehabilitation and construction projects, including design and supervision services, the costs of staff training and development for the Rural Roads Division, and for such other related purposes as may be mutually agreed upon, including audit and evaluation of any aspect of the Program. The remaining five percent (5%) of the funds deposited in to account will be made available in trust to A.I.D. to meet such requirements as the A.I.D. Mission to Tanzania may have in carrying out the assistance program in Tanzania.

#### D. Responsibilities of the Parties.

The Implementation of the Program Grant will be the responsibility of the Government of Tanzania. The Ministry of Finance (MOF) will have overall responsibility for the ATAP Program and specific responsibility for the dollar funded import support program. The MOF will designate the Bank in which the special dollar account will be established, subject to A.I.D. approval.

The import licenses will be issued by the Bank of Tanzania on behalf of the government, following written concurrence by A.I.D., and local currency deposits will be made at the Cooperative and Rural Development Bank (CRDB) or such other bank as A.I.D. might agree to in writing. Letters of Credit will be opened by the CRDB or whatever Bank the parties might agree to in writing.

The Ministry of Works (MOW) will be the implementing agent for the local currency funded road activities and for the ATAP Project Agreement signed August 31, 1988 and any amendment to the Project Agreement. Disbursements from the local currency account to the MOW shall be for rural road activities mutually agreed upon by the MOF, MOW and USAID.

#### E. Monitoring, Evaluation and Audits

The monitoring and evaluation system for ATAP will be based upon program Review Meetings, Interim Assessments, a mid-term evaluation, a final evaluation and audits.



a. USAID-GOT Program Reviews

Program Review Meetings will be the principal mechanism for coordinating joint GOT and USAID/Tanzania management and monitoring of ATAP. These meetings will be convened no less often than semi-annually. The Semi-annual Review Meetings will be chaired by the Ministry of Finance, and attended by representatives from the Ministry of Works, Prime Minister's Office, Ministry of Local Government and Cooperatives, and USAID/T.

Standing agenda items for the review meetings will include: written updates on disbursement of foreign exchange under the Program Grant; progress on local currency activities in the sub-sector including any field visits made during the preceding period; progress by the GOT on meeting the performance indicators; and any proposed modifications in activities financed by ATAP. A major function of the meeting will be to identify and take steps to resolve any procedural or implementation issues. A report will be prepared by the MOW following each meeting giving the status of progress under the grant and noting any necessary corrective actions to be taken during the next quarter.

One meeting every year will be used by the GOT and USAID to review: 1) GOT progress on implementing policy and institutional reforms in the roads sub-sector; 2) evidence that the GOT has achieved the agreed upon program performance indicators and has made revisions where necessary; 3) the performance of activities financed during the previous year under the Project Grant; and, 4) the workplan for the coming year for the activities to be financed from the Project Grant.

b. Interim Assessments

Interim assessments may be required, either by A.I.D. or the GOT, to examine unexpected bottlenecks in implementation or to gather information needed to measure the impact of the program. Interim assessments may be required at any time in the life-of-program.

c. Evaluation and Audits

Evaluations will be used to measure the progress of the ATAP program in terms of targeted performance and achievement of program objectives. A mid-term evaluation shall be undertaken in January, 1993. Some of the issues which will be examined during this evaluation include: the efficiency of the Rural Road Division management system and performance of the long-term TA contractor; the level of RRD staffing, terms of reference, and the adequacy of GOT budget allocations to the division; the number of rehabilitation projects contracted out to the private sector, and the number of kilometers of rural roads being maintained at the required standard. The final evaluation of the program is scheduled for September, 1995 to measure the impact of the program. This evaluation will also examine program management.

All expenditures made by the GOT are included in the Appropriation Accounts which are audited annually by the GOT Auditor General. This audit is a statutory requirement to ensure financial compliance with applicable laws and regulations. In addition, the TA and Training Component budget includes funds for USAID reviews and external audits as may be necessary during the life of the program. Any non-federal audit will be initiated through A.I.D.'s Regional Inspector General (RIG/A/N) Office in Nairobi.

During the life of the program there will also be updates to a socio-economic baseline survey and various other studies in the road rehabilitation area undertaken in 1990-1991. Costs for evaluations, audits and socio-economic update studies are provided for in the project component of ATAP. The GOT will also undertake audits as might be required to ensure financial compliance with applicable laws and regulations. Such audits are eligible for financing from the special local currency account.